

Message Text

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ACTION EA-07

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C O N F I D E N T I A L TOKYO 7449

FOR EA/EX AND FBO ONLY

E.O. 11652: GDS
TAGS: ABLD, JA
SUBJECT: SALE OF EMBASSY ANNEX

MR. MURATA, FINANCIAL ADVISER TO MITSUI REAL ESTATE DEVELOPMENT CO., LTD. DULY AUTHORIZED BY MR. EDO, PRESIDENT OF COMPANY, INFORMALLY CALLED UPON CHARLES W. FALKNER, ACTING COUNSELOR FOR ADMINISTRATION, TO REQUEST EMBASSY AND DEPARTMENT (FBO) REACTION TO AMENDING SALES CONTRACT FOR ANNEX BUILDING TO PROVIDE ALTERNATES TO SCHEDULE OF PAYMENTS OUTLINED IN ORIGINAL CONTRACT.

PROPOSED ALTERNATES:

A. PAYMENT IN U.S. DOLLARS

1. TO BE PAID IN JAPAN BY MITSUI REAL ESTATE DEVELOPMENT COMPANY TO THE AMERICAN EMBASSY, TOKYO, OR PAID IN THE UNITED STATES BY MITSUI FUDOSAN (USA), INC. TO THE STATE DEPARTMENT, WASHINGTON, D.C. FIRST PAYMENT TO BE PAID JULY 1, 1974.

2. SUBSEQUENT PAYMENTS IN U.S. DOLLARS AS DESCRIBED IN A.1, ACCORDING TO SCHEDULE IN ORIGINAL CONTRACT. THIS METHOD IS STILL UNDER RESEARCH AND SUBJECT TO APPROVALS OF THE BANK OF JAPAN AND MINISTRY OF FINANCE.

B. PAYMENT IN YEN (PLAN 1)

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1. ON JULY 1, 1974, MITSUI WILL PAY INTEREST

IN YEN (Y11,250,000,000 X .08 FOR PERIOD
AUGUST 10, 1973 TO JUNE 30, 1974).

2.PAYMENTS OF PRINCIPAL AND INTEREST WILL
BE PAID AS FOLLOWS:

JULY 1, 1975, Y2,812,500,000 PLUS 8 PERCENT
INTEREST FOR ONE YEA ON Y11,250,000,000.

JULY 1, 1976, Y2,812,500,000 PLUS 8 PERCENT
INTEREST FOR ONE YEAR ON Y8,437,500,000.

JULY 1, 1977, Y2,812,500,000 PLUS 8 PERCENT
INTEREST FOR ONE YEAR ON Y5,625,000,000.

JULY 1, -1978, Y2,812,500,000 PLUS 8 PERCENT
INTEREST FOR ONE YEAR ON Y2,812,500,000.

CONSEQUENTLY, USING THIS PROPOSAL, THE FINAL
PAYMENT WILL BE DELAYED BY ONE YEAR.

C. PAYMENT IN YEN (PLAN 2)

1. NO LATER THAN JUNE 30, 1975, MITSUI WILL
PAY Y2,812,500,000, PLUS 8 PERCENT INTEREST
PER ANNUM ON THE UNPAID AMOUNT FROM AUGUST
10, 1973, TO DATE OF PAYMENT.

2. BEGINNING JULY 1, 1975, SECOND, THIRD AND
FOURTH PAYMENTS WILL BE PAID IN ACCORDANCE
WITH TERMS OF ORIGINAL CONTRACT.

FYI: THE PURPOSE OF MR. MURATA'S PROPOSAL IS DEFENDED BY
THE USE OF THE WORDS, "BECAUSE OF THE TIGHT MONEY POLICY
PREVAILING IN JAPAN, WHICH HAS BEEN CAUSED BY INFLATION,
ENERGY CRISIS AND THE 'CURBS' THAT THE GOVERNMENT HAS INITIATED
TO COPE WITH THE FINANCIAL CRISIS." IT IS THE EMBASSY'S
UNDERSTANDING NOTWITHSTANDING GRANTING ANY RELIEF IN THE
ORIGINAL PAYMENT SCHEDULE THAT MITSUI IS PREPARED TO MAKE
PAYMENTS AS ORIGINALLY AGREED IF REQUIRED. MR. EDO,
PRESIDENT OF MITSUI, DOES NOT WISH TO PURSUE THIS, EITHER
PERSONALLY OR OFFICIALLY IN WRITING, PARTICULARLY IF
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CHANGES TO THE SCHEDULE WILL NOT BE GRANTED, THUS THE
METHOD OF MR. MURATA SEEKING OUR REACTION TO THESE PROPOSALS
HAS BEEN USED. AS THE FIRST PAYMENT IS DUE JULY 1, 1974, THE DEPARTMENT'S ADVICE IS REQUESTED ON A PRIORITY
BASIS, HOPEFULLY BEFORE JUNE 12, SO THAT MITSUI MAY HAVE
SUFFICIENT TIME TO COMPLETE ITS PLANNING TOWARD PAYMENT.
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